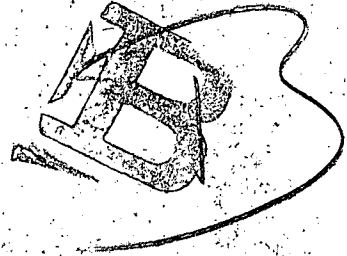


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December 15, 1941



Portugal: Beleaguered Neutral

BY A. RANDLE ELLIOTT

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Portugal: Beleaguered Neutral

BY A. RANDLE ELLIOTT

PORTUGAL, one of the few remaining neutrals of Europe, is the focal point where non-military forces of the Axis and Allied governments come most directly into contact. It is the only country, with the exception of Turkey, where they still compete freely for markets and strategic supplies. Neutral Sweden and Switzerland, isolated by successive Nazi conquests, have found it necessary to accept German economic cooperation, while non-belligerent Spain has frequently indicated its preference for the Axis partners. Portugal in the West—like Turkey in the East—remains a connecting link between two worlds. It serves as a clearing center approved by both groups of belligerents for essential wartime activities, such as relief work and the exchange of ousted diplomatic and consular officials. It is the last avenue of escape for refugees from Western Europe, and one of the best channels of information from Nazi-occupied countries to the Western Hemisphere.¹ The recurrent danger of a new battle front on the Iberian Peninsula, moreover, now accentuates the strategic importance of Portugal and its overseas colonies, and draws attention to the Portuguese government's recent economic experiments. During the past decade Brazil and other Latin American countries have sought answers for their own domestic problems in the Portuguese national revolution, the movement through which Prime Minister António de Oliveira Salazar has rebuilt Portuguese economic and political life since the collapse of the liberal democratic republic in 1926. Both the Portuguese Empire and Salazar's experiments would be seriously imperiled if the country were forced into war.

PORTUGAL'S STRATEGIC POSITION

Portugal's only land boundary is with Spain, and Madrid's pro-Axis policy is the chief factor in

Lisbon's precarious situation today. The rising Nazi influence in Nationalist Spain,² with its attendant threat to Portuguese neutrality, has created special defense problems for Great Britain and the United States. Axis military domination of Spain and Portugal would undermine Gibraltar's usefulness to the British, while Portuguese harbors would provide formidable Axis bases for further naval operations against Allied shipping. The Spanish government, regardless of its own desire to avoid a long war, could not refuse an insistent German demand for right of transit through Spain to Gibraltar and Portugal. Such a demand is not anticipated so long as the Nazis require the bulk of their forces for the campaign against Russia, but eventually Germany must face the issue of a new major front to break through the British blockade.³ In July 1941 General George C. Marshall, Chief of Staff of the United States Army, told the Senate Military Affairs Committee that the next Axis blow might be through Spain and Portugal to West Africa.⁴ President Roosevelt, in his proclamation of an unlimited national emergency on May 27, declared that Nazi occupation of Portugal's Azores and Cape Verde Islands would "directly endanger the freedom of the Atlantic and our own physical safety."⁵

Portugal is determined to maintain its neutral-

1. Emigration statistics published in Lisbon on August 18, 1941 revealed that over 200,000 refugees had departed from that port since November 1939. *The New York Times*, August 19, 1941.

2. As a consequence of German aid to General Franco during the Spanish Civil War, the Nazis obtained a strong hold on Spanish military organization, trade and industry. Germany's control over Spain necessarily diminished somewhat when communications between the two countries were impaired after the outbreak of the European war in September 1939. But the fall of France in June 1940 brought Nazi troops to the Spanish border, and during the past 18 months German pressure on Madrid has substantially increased. See A. R. Elliott, "Spain After Civil War," *Foreign Policy Reports*, May 15, 1940, pp. 67-68; W. H. Carter, "Spain and the Axis," *Foreign Affairs*, October 1941, pp. 176-83.

3. L. E. Frechtling, "Africa and the World Conflict," *Foreign Policy Reports*, October 15, 1941, pp. 187 ff.

4. *The New York Times*, July 18, 22, 1941.

5. *Ibid.*, May 28, 1941.

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ity, but it could hardly remain at peace if Spain became actively involved in the war. The Portuguese and British governments have been allied for more than 550 years, and several times during this period Britain has used Portugal as a point of entry for military expeditions to the Iberian Peninsula. In the light of this historical record, Axis troops might be expected to forestall a possible British landing by occupying Portuguese harbors. Portugal's small army⁶ could scarcely impede a strong attack from the Spanish border. There are only a few obsolete fortresses—no fortified lines—along the frontier. In the absence of natural obstacles, moreover, the open river valleys would provide ready paths for an invasion. It is only 110 miles down the Douro valley from the Spanish border to Oporto, and about 140 miles along the Tagus to Lisbon. Military observers have estimated that motorized troops from Spain could occupy the leading Portuguese seaports within 12 hours. Portugal's only important naval base, at Lisbon, was developed last year by Italian engineers of the Sociedade Ítalo-Portuguesa de Construções, and it may be assumed that Axis military chiefs have adequate technical knowledge of facilities available at that base. In 1938 a British military mission under Rear Admiral N. A. Wodehouse studied the possibility of building a strategic naval air base at Faro, on Portugal's southern coast, which could command the Atlantic approaches to the Straits of Gibraltar. Faro is only 20 miles from the Spanish border, and troops could be moved over the intervening flat country—served by a railway and a road—in less than an hour.

In view of these strategic considerations, Axis leaders may plan to invade Portugal before attacking Gibraltar. "And that threat," President Roosevelt declared on May 27, "extends also . . . to the island outposts of the New World—the Azores and Cape Verde Islands." By occupying those archipelagoes, Nazi forces might gain control over the whole series of naval and air bases most useful for outflanking Gibraltar and blocking British trade routes to South America, India and the Far East. President Roosevelt stated that the Portuguese islands, under German domination, would also become bases for Nazi submarines, warships and airplanes to raid the waters off United States coasts and to strike at shipping in the South Atlantic. "They would provide a springboard for actual attack against the integrity and independ-

ence of Brazil and her neighboring republics. . . . It would be suicide to wait until they [the Nazis] are in our front yard."⁷

These remarks heightened Portugal's anxiety over possible occupation of its Atlantic outposts by one or another of the great powers. In March 1941 the controlled press in Rome and Berlin had simultaneously charged that British troops were about to land in the Azores⁸—a charge strikingly similar to those published in the Axis capitals shortly before Germany invaded Scandinavia and the Low Countries. After President Roosevelt's speech the Portuguese government formally protested, on May 30, against the suggestion that the United States might find it advisable to occupy Portuguese islands. On June 10 and 13, the State Department clarified the President's references and gave assurance that this government "harbors no aggressive intentions against the sovereignty or territorial integrity" of Portugal or any other country.⁹ Despite these assurances, rumors of American "protective custody" over the Atlantic islands were revived after the United States occupation of Iceland on July 7, and on August 5 the Portuguese government imposed travel restrictions on all aliens entering the Azores.

Portugal's concern over the fate of its outlying possessions gave rise, in August and September, to reports that Lisbon might entrust the Atlantic islands to Brazilian care if Germany should invade the mother country. João do Amaral, member of a Portuguese cultural mission to Brazil, unofficially indicated in mid-August that the United States, Brazil and Portugal should insure the safety of the islands, and that Brazil would be the logical heir to Portugal's imperial responsibilities.¹⁰ This suggestion has not been approved by either of the two governments, and Lisbon would doubtless spurn all proposals to turn Portuguese islands or colonies over to any foreign country, even if assured that the territory would be returned intact after the war. It is true, however, that relations between Lisbon and Rio de Janeiro have been extraordinarily good for many years, and that Brazilians would encounter a minimum of admin-

7. *The New York Times*, May 28, 1941.

8. *New York Herald Tribune*, March 16, 17, 1941.

9. Portugal, Secretariado da Propaganda Nacional, *Portugal* (Lisbon), June 30, 1941, pp. 2-4; *Department of State Bulletin*, June 14, 1941, p. 718; *New York Herald Tribune*, July 13, 1941.

10. *The New York Times*, September 2, 1941; *Christian Science Monitor*, September 5, 1941. The announced purpose of the Portuguese mission was to return the courtesy extended by Brazil's official delegation to Portugal last year, during the state ceremonies celebrating 800 years of Portuguese independence. António Ferro, prominent director of the Portuguese Secretariat of National Propaganda, is head of another cultural mission that has not yet returned from Brazil and Argentina.

6. Portugal has a peacetime army of only 35,000 men, and approximately 140,000 reserves. In addition, there are about 65,000 members of the Portuguese Legion, created in September 1936 as a second line of defense in case of war. Cf. Major C. E. Wakeham, *The Times* (London), January 24, 1938; *The Statesman's Year-Book*, 1941 (London, Macmillan, 1941), p. 1218.

istrative difficulties and civil disturbance in Portuguese territory. The two nations speak the same language, have similar cultural traditions, and the ruling Brazilian military class is still predominantly of Portuguese stock.¹¹ Brazil's military forces are weak in comparison with those of the leading belligerents, but the Brazilian government is cooperating with the United States in Western Hemisphere defense, and this country would probably be ready to lend Brazil any naval, air or other armed strength required for defending those "outposts of the New World."

THE PORTUGUESE EMPIRE

Portugal's empire¹² is an important factor in the country's economic life and an ideological unifying force in its national revolution. The worldwide significance of the outlying territories at the present time, however, results primarily from their strategic locations and their steady influence on Portuguese foreign policy. The international struggle for control over colonies, as markets for industrial products and as sources of essential raw materials, has made Lisbon particularly anxious to avoid involvement in the war. The only small European neutral with extensive colonial holdings, Portugal is determined to afford no pretext for a post-war reallocation of its empire, such as Great Britain and Germany planned before the first World War.¹³ Continual increases of troops in all the Portuguese colonies during the past two years indicate an equal determination, despite the country's military weakness, to resist any foreign attempts to occupy its strategic territories.

The Azores and Madeira—both officially termed "Adjacent Islands" and administered as integral provinces of Portugal rather than as colonies¹⁴—

are situated on the direct transatlantic routes from the Mediterranean to the United States and South America. *Madeira*¹⁵ is of considerably less military value than the Azores and Canary islands, although Funchal Bay—591 miles from Gibraltar—could be converted into a useful base for submarines, destroyers and naval aircraft. It would be particularly valuable for hampering the débouchement of Axis naval power from the Mediterranean if Gibraltar should be seized or neutralized by German attack.¹⁶

The *Azores*,¹⁷ lying one-third of the distance from Lisbon to New York, enjoy the best strategic position of all European outposts in the North Atlantic. They are about equidistant (1,200 miles) from the Nazi-controlled French coast, the British naval bases in southern England, the new United States air and naval base on the Avalon Peninsula of Newfoundland, and potential bases in the Cape Verde Islands. During the early years of the first World War, the Azores were used by Allied ships as coaling stations. When the German submarine campaign became most acute in 1917, the United States Navy—with the consent of the Portuguese government—set up a base at Ponta Delgada harbor (São Miguel Island), and the Marines built an airfield near-by.¹⁸ The technological development of aviation in the last 25 years has tremendously increased the military usefulness of the Azores. When Pan American Airways began its schedule of transatlantic flights on May 20, 1939, Horta (Fayal Island) was used as a regular stop.¹⁹ Any power with modern bombers and submarines based at the Azores could intercept all the North Atlantic shipping routes much more effectively than the Nazis now disrupt convoys

11. For a discussion of Portuguese immigration, assimilation and influence in Brazil, see B. W. Diffie, "Some Foreign Influences in Contemporary Brazilian Politics," *The Hispanic American Historical Review*, August 1940, pp. 403-409.

12. Continental Portugal has an area of 34,254 square miles and a population of 6,360,347 (1930). Its outlying possessions aggregate 825,041 square miles, with a total population of 9,628,111.

13. The Anglo-German convention of August 30, 1898 provided for the joint partition of Portuguese colonial areas whose tariffs were to be pledged as security for future British and German loans to Portugal. This convention became the basis of later negotiations (1912-14) which broke down when Sir Edward Grey insisted on publication of the treaties. Germany hesitated, and the matter was not concluded when war broke out in August 1914. See S. B. Fay, *The Origins of the World War* (New York, Macmillan, 1928), vol. I, pp. 133-34; Royal Institute of International Affairs, *The Colonial Problem* (London, Oxford University Press, 1937), pp. 384-85.

14. For a brief description of government and administration in the Azores and Madeira, see the official summary of "The Statute of the Adjacent Islands," *Portugal*, February 29, 1940, pp. 4-5. For the political, administrative, economic and financial régime in the colonies, see the summary and analysis of the "Organic Charter of the Portuguese Colonial Empire," *ibid.*, December 31, 1939, pp. 22-36.

15. The Madeira group consists of eight islands, only two of which (Madeira and Porto Santo) are inhabited. Total area of the islands: 314 square miles. Population: 211,601 (1920). Madeira island, 285 square miles of extremely mountainous land, has one of the world's densest populations—761 persons to the square mile. It is best known as a popular tourist center, and a large share of its income is normally derived from tourist expenditures.

16. Hanson W. Baldwin, "Potential U.S. Bases," *The New York Times*, July 21, 1941.

17. The Azores include nine volcanic islands, with a total area of 922 square miles and a population of 253,935 (1930).

18. Captain F. L. Oliver, "The Azores," *Christian Science Monitor*, May 15, 1941; A. N. Leman, in *New York Herald Tribune*, August 3, 1941; R. K. Waldo, "The Strategic Azores—Doorstep to America," *Foreign Commerce Weekly*, September 13, 1941, pp. 5-6.

19. Although Horta harbor is far from ideal as a seaplane landing basin—because of adverse winds and surrounding hills—over two years of regular commercial use have shown it to be fully practicable. Horta also has a powerful naval radio station, and is the foremost junction point of transatlantic cables operated by British, German, Italian, French and American companies. See L. A. Borah and Wellman Chamberlin, "New Map of the Atlantic Ocean," *National Geographic Magazine*, September 1941, pp. 417-18.

west of Ireland. Distances from the Azores to each of the vital trade lanes are about the same as those traversed by Nazi raiders from the Continent; but bases on the British Isles now serve as a powerful counterthreat to Nazi planes and warships, and no similar fortresses could intervene to harass raiders based at the Azores.

The *Cape Verde Islands*²⁰ are directly on the leading maritime routes from Europe to South America and South Africa. Wartime closure of the Mediterranean to commercial shipping, moreover, has forced British vessels to pass the Cape Verde group while en route to, or from, India and the Far East. Porto Grande, on the island of São Vicente, has been an important coaling station for many years. It has good anchorage, and is adequately protected by mountains on three sides. The only other sheltered port which accommodates ocean-going vessels is Praia, on São Tiago Island. Both of these harbors are too small for naval base requirements, but they are adaptable for limited naval use, and if held by an enemy would constitute a real menace to Britain's "lifeline" to the East. Although the islands are often overhung with haze, any Axis planes based there would be able to inflict serious damage on Allied shipping. The Italian transatlantic airline, Lati, maintains a fueling station at Sal Island, only seven hours from Brazil.

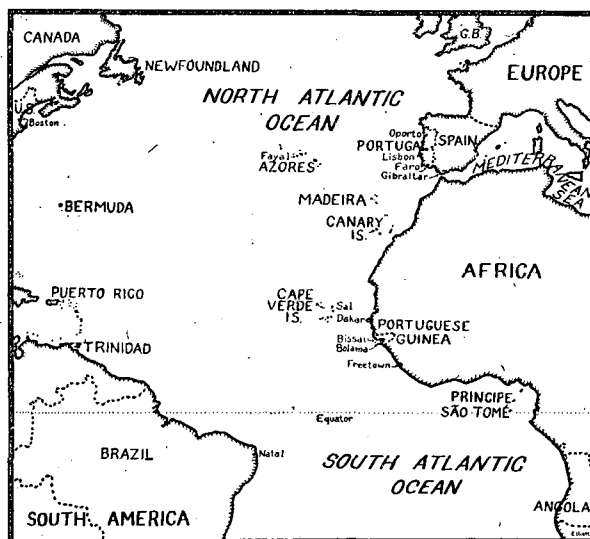
Portuguese Guinea,²¹ on the west coast of Africa between the Vichy French naval base at Dakar and the British naval base at Freetown, possesses four harbors suitable for ocean-going vessels—Bissau, Bolama, Bubaque and Cacheu. The Portuguese government maintains a small naval station at Bissau, the principal port. In February 1941 a Pan American Airways base was opened at Bolama, on the new alternate southern route across the Atlantic. This is not far from the route now used for ferrying United States transport and bombing planes to British forces in the Near East.²² Recent reports state that German colonizers established headquarters at Bubaque on the Bissago Islands as early as 1922, but that Nazi activities there are closely observed by a garrison of Portuguese troops sent to the islands during the present war.²³

20. The Cape Verde Archipelago includes 15 very small, mountainous and rocky islands. Total area: 1,557 square miles. Population (1937, official estimate): 162,055. For geographical, social and economic information on all of the Portuguese colonies, see *Portugal in the World* (Lisbon, Secretariado da Propaganda Nacional, 1939); Portugal, Instituto Nacional de Estatística, *Anuário Estatístico, Ano de 1938* (Lisbon, Imprensa Nacional, 1940), pp. 491-549.

21. Area: 13,948 square miles. Population: 426,009.

22. *New York Herald Tribune*, October 15, 1941.

23. *Neue Volkszeitung* (New York), September 26, 1941; Emil Lengyel, *Dakar: Outpost of Two Hemispheres* (New York, Random House, 1941), pp. 297-300.



Other Portuguese colonies—farther removed from the existing scenes of combat—are of less strategic significance at the present time. They represent, however, by far the greatest territorial expanse and the largest real or potential source of wealth in the empire.²⁴ The small equatorial islands of *São Tomé and Príncipe*,²⁵ in the Gulf of Guinea, are more than 1,200 miles off the customary trade routes around South Africa. But until the first World War the plantations of São Tomé led the world in the production of cacao,²⁶ and the island is still a proportionately large supplier of Portuguese imports of cacao, coffee and palm oil. Most of the colony's commerce is with the mother country, and is carried in Portuguese ships.

Angola,²⁷ on the west coast of Africa at the mouth of the Congo River, is the largest and richest Portuguese colony, and has the brightest economic prospects for the future. No serious effort was made to develop the territory until after the first World War; even now only one per cent of the vast, fertile area is under cultivation.²⁸ But by 1937 Angola had supplanted Brazil as the main consumer of Portuguese products, and provided a large share of Portugal's essential imports—including

24. For a thorough statistical review of foreign commerce, production and economic equipment in the Portuguese colonies, 1927-38, and comparisons with earlier years, see F. Ribeiro Salgado, *A Evolução do Comércio Especial Ultramarino* (Lisbon, Agência Geral das Colónias, 1940).

25. The colony of São Tomé and Príncipe has a total area of 372 square miles, and a population of 59,060.

26. U.S. Tariff Commission, *Colonial Tariff Policies* (Washington, Government Printing Office, 1922), p. 482.

27. Area: 481,351 square miles, or about the size of pre-Hitler Germany, France, Belgium, Holland, Switzerland and Denmark combined. Population: 3,225,015.

28. For descriptive study of the colony, see Linton Wells, "Angolan Safari," *The Geographical Review*, October 1940, pp. 553-73.

ing all of its requirements of corn, 69 per cent of its coffee, 37 per cent of its sugar, 35 per cent of its rice, and 10 per cent of its cotton.²⁹ The most profitable enterprise in the colony is the Companhia de Diamantes de Angola, whose 27 fabulous diamond mines provide about a fifth of the total value of Angolan exports.

Mozambique, or Portuguese East Africa,³⁰ is Portugal's second largest colony and the one most important in world trade. The larger share of its total commerce, however, is represented by the valuable transit trade—chiefly through the great ports of Beira and Lourenço Marques—from Rhodesia, Nyasaland and the Transvaal of South Africa.³¹ The establishment of regular air services between South Africa (Durban) and England (Southampton) in 1937 has proved a great boon to aviation and radio-telegraphic services in Mozambique. Leading airports have been developed at Moçambique, Quelimane, Beira, Inhambane and Lourenço Marques—the latter city boasting one of the largest airdromes in all Africa.

Portuguese India,³² consisting of the Indian west coast territories of Gôa, Damão and Diu, is notable chiefly as a heritage from the age of discovery. The Lisbon government has frequently emphasized its moral leadership through the Patronage (*Padroado*) of the East, the zone around Bombay where Portugal still retains the right of making ecclesiastical appointments for the Catholic Church.³³ Diu is little more than an island fortress, but Gôa and Damão are important transshipment points for the vast hinterland of India.

Two other Portuguese colonies, *Macao*³⁴ and *Timor*,³⁵ have come into prominence with the rise of commercial aviation in the Pacific area. In 1935 Macao, for many years a free port serving the China trade, was selected as the Asiatic terminus of Pan American Airways flights across the Pacific.³⁶ Japan and Great Britain have been keen

competitors for air rights in Portuguese Timor, the larger and better part of an island in the Malay Archipelago only 452 miles northwest of the Australian naval base at Darwin. In January 1941 a British airline was established between Darwin and Dili, capital of Portuguese Timor. And on October 14 Tokyo announced an agreement with Portugal permitting Japan to maintain regular air services between Timor and the Japanese-mandated Palau Islands.³⁷ Japanese planes flying this new route would pass almost directly over the Netherlands naval station at Amboina, and would be able to observe the movement of British, Dutch and United States vessels in Australasian waters.

THE ESTADO NOVO

Portugal, dangerously poised between the Axis and the Allies, has scrupulously tried to avoid antagonizing either group of powers. At the same time, the war has necessitated rapid and decisive action in managing the Empire's foreign affairs, and in adjusting Portugal's domestic economy to wartime disturbances. These emergency measures have been expedited by the intense coordination of Portuguese political and economic activities achieved since the bloodless revolution of 1926.

The "New State," or *Estado Novo Português* of Prime Minister Salazar, has been frequently compared with the totalitarian systems of Fascist Italy, Nazi Germany and Falangist Spain. It is now being emulated by President Getulio Vargas of Brazil, who also is seeking to "readjust political machinery [*o organismo político*] to the economic necessities of the country." Both men denounce the nineteenth-century idea that English parliamentarism and liberalism could be applied to all nations, and believe their respective countries require "a strong régime, based on justice and work."³⁸ Guided by a common credo of "family, fatherland, religion," Salazar and Vargas both emphasize the predominantly Catholic background of their nations. They accept the Church's anti-capitalistic, anti-socialistic ideal of a corporative state, and are aiming at social reconstruction in line with the principles set forth in Pope Leo XIII's Encyclical

29. *Portugal*, December 31, 1939, pp. 39-40. In 1939 Angolan cotton exports to the mother country advanced 70 per cent over those of the preceding year, as a result of government measures designed to encourage Empire production of raw cotton for Portuguese textile mills. Angola and Mozambique, together, now supply about half of Portugal's raw cotton imports.

30. Area: 297,731 square miles. Population: 4,006,011.

31. For an extended discussion of the economy of Mozambique, see S. E. Kay and C. N. Ezard, "Economic and Commercial Conditions in Portuguese East Africa," *Department of Overseas Trade Reports*, No. 702 (London, H.M. Stationery Office, 1938); for statistics, see Colônia de Moçambique, *Repartição Técnica de Estatística, Anuário de Moçambique, 1940* (Lourenço Marques, Imprensa Nacional, 1940).

32. Total area: 1,537 square miles. Population: 579,970.

33. *Portugal*, September 30, 1938, p. 9; V. de Bragança-Cunha, *Revolutionary Portugal (1910-1936)* (London, James Clarke, 1937), pp. 255-58.

34. Area: 6 square miles. Population: 157,175.

35. Area: 7,332 square miles. Population: 463,996.

36. Macao has political advantages over near-by Hongkong, which is also used by Pan American. Since the Hawaiian Islands are an essential stop for transpacific flights, the British might eventually expect aviation rights at Hawaii in return for the use of Hongkong; it is unlikely, however, that the Portuguese will attempt to organize transpacific airways. See "Pacific Airways," *Foreign Affairs*, October 1939, p. 68.

37. *The New York Times*, October 15, 1941; T. A. Bisson, "The Netherlands Indies at War," *Foreign Policy Reports*, November 1, 1941, p. 206.

38. The quotations are from Dr. Vargas. For a brief but able analysis of contemporary Brazilian political theory, see J. F. Normano, *The Economic Ideas of Dr. Getulio Vargas* (Boston, Latin American Economic Institute, 1941), pp. 3, 8-9.

Rerum Novarum.³⁹ The results of the Portuguese revolution have also been studied in other Catholic countries of Latin America, where excessive inter-party strife and lack of a spirit of national unity have retarded social and economic progress.⁴⁰ And in the Philippine Islands, where the new Commonwealth government is shaping its political development, Salazar's *Estado Novo* has been cited as a working model of "organic democracy."⁴¹

Dr. Salazar defines his régime as "authoritarian democracy," designed to strike a balance between liberty and authority. Firmly believing that "there can be no strong state without a strong government," he nevertheless rejects the totalitarian exaltation of the state above obligations of family, church, and society.⁴² Portuguese spokesmen have sharply differentiated the non-party *Estado Novo*, which is authoritarian but not totalitarian, from the one-party governments of Hitler, Mussolini and Franco. In its process of gradual development during the past 15 years, however, the New State has patterned certain fundamental parts of its ideology and governmental structure on the systems of Germany and Italy—such as its emphasis on nationalism and individual discipline, its maintenance of a secret police and its adoption of evolutionary corporatism. Salazar gives the following explanation of similarities and differences between Portuguese nationalism and the Fascist movements: "We have not failed to consider every foreign experiment, every series of facts occurring in any part of the world, with a view to extracting useful lessons from them. But the chief source of our instruction, . . . of our political structure, has been our own history and traditions."⁴³

The primary explanation of authoritarianism under the present Portuguese government is to be found in the political disorder that preceded the

Estado Novo. During the nineteenth century, Portugal was continually embarrassed by financial difficulties that several times threatened to break up the colonial empire. Attempts to evolve an efficient system of parliamentary government under the liberal monarchy repeatedly failed, and under the republic between 1910 and 1926 there were at least 16 revolutions and 40 changes of ministry.⁴⁴ In May 1926 General Gomes da Costa headed a successful military revolt against the government; the following month General Oscar Carmona, who had been associated with General da Costa, emerged as Premier; and in November 1926 Carmona assumed the functions of President by decree.⁴⁵ After restoring public order, the new government turned to the problem of financial and economic reconstruction. Following a series of initial failures, in April 1928 General Carmona appointed Professor Salazar, noted economist at the University of Coimbra, to head the Ministry of Finance. Under his administration of rigid economies and ruthless taxation, Portugal has ended each fiscal year since 1928 with a surplus of revenues over expenditures.⁴⁶ The public debt is rapidly being paid off; no foreign loans have been contracted since 1928, and today Portugal is virtually free of foreign financial obligations.

The elimination of financial difficulties enabled the government to concentrate on development of the country's resources⁴⁷ and improvement of social conditions among the laboring classes.⁴⁸

44. S. G. West, *The New Corporative State of Portugal* (Lisbon, Editorial Império, 1937), p. 7; Bragança-Cunha, *Revolutionary Portugal*, cited.

45. General Carmona's assumption of the Presidency was approved by a plebiscite in March 1928, and in February 1935 he was re-elected for another period of seven years.

46. Except for the two years 1913 and 1914, Portugal's budget had been unbalanced ever since 1854. Dr. João da Costa Leite, who succeeded Dr. Salazar as Finance Minister on August 28, 1940, has carried on the Prime Minister's orthodox financial policies. *New York Herald Tribune*, August 29, 1940; *The Economist*, August 23, 1941, p. 232. For a full account of financial accomplishments under the *Estado Novo*, see T. W. Fernandes, *Professor Oliveira Salazar's Record* (Lisbon, Casa Portuguesa, 1939).

47. The most important economic development project yet advanced in Portugal is the 15-Year Plan of January-May 1935. For details, see A. W. H. King, "Economic and Commercial Conditions in Portugal," *Department of Overseas Trade Reports*, No. 652 (London, H.M. Stationery Office, 1936), pp. 2-3.

48. For a discussion of Portuguese social measures, see Freppel Cotta, *Economic Planning in Corporative Portugal* (London, P. S. King & Son, 1937), pp. 154-72; recent measures are listed in the *International Labour Review*, October 1941, pp. 422-23.

Despite government efforts to reduce poverty, disease and illiteracy, these social ills are still very real problems in Portugal. Illiteracy, for example, is 47 per cent in Lisbon and 68 per cent for the entire country. In May 1938 the Portuguese government enacted sweeping educational reform measures, and in December 1940 projected 12,500 new schoolrooms to be built during the 10-year period 1941-51. For details, see Law No. 1,969, *Diário do Governo*, I Série, May 20, 1938; "Despacho do Conselho de Ministros acerca do plano de construção de escolas primárias," *ibid.*, July 29, 1941.

39. Issued on May 15, 1891, *Rerum Novarum* is regarded as the "Charter of the Catholic social movement." It was elaborated in the Encyclicals *Quadragesimo Anno* (1931) and *Divini Redemptoris* (1937), which have also exerted profound influence on the doctrines of Salazar and Vargas. The most recent Vatican pronouncement on social policy was Pius XII's Papal Message of June 1, 1941. For a summary of principles contained in the four messages, see Rev. Albert Le Roy, "The Fiftieth Anniversary of *Rerum Novarum*," *International Labour Review*, October 1941, pp. 369-88; for their application in Portugal, see Michael Derrick, *The Portugal of Salazar* (New York, Campion, 1939), pp. 63 ff, 108 ff.

40. For a Chilean legal authority's view of the Salazar régime's object-lesson for Latin America, see *Portugal*, March 1, 1938, pp. 6-7.

41. Benjamin C. Eugenio, "Is There Utopia in Portugal?" *The Philippines Herald Mid-Week Magazine*, November 22, 1939, pp. 5, 12, 14.

42. *Salazar Says* . . . (Lisbon, Editorial Império, 1939), p. 24; João de Bianchi, "Portugal Celebrates Eight Centuries of Existence, 1140-1940," *The Hispanic American Historical Review*, August 1940, p. 340.

43. *Salazar Says* . . . , cited, p. 61.

These tasks have been approached through the corporative organization of society, on the principle that production must be regulated for the benefit of the nation as a whole. While private initiative is encouraged as the best instrument of progress, the state coordinates the nation's social and economic life in order to preserve a balance between production and consumption, and between capital and labor.⁴⁹ The first step toward corporative organization in Portugal was the enactment, in 1933, of the National Labor Statute and its complementary legislation. Under these acts, corporations were to be set up as the coordinating bodies with jurisdiction over national syndicates (composed of all the workers in a specific trade or industry), *grêmios* or guilds (composed of all the employers in a specific trade or industry), and other subordinate associations. Corporative organization is not compulsory, except in certain branches of production which vitally affect national prosperity.⁵⁰ Since the *Estado Novo* is still in its experimental stages, new corporative bodies and institutions for economic coordination are constantly being formed.⁵¹ The latter group includes governmental regulating commissions to cope with import problems, national boards to develop the export trade, and institutes to supervise work of the subordinate corporative bodies. At present more than 70 per cent of all Portuguese exports are subject to corporative regulation, which is also being extended over imports.⁵² This semi-governmental direction of economic activity has stimulated production and trade for use, not for speculation, and has thus curtailed unnecessary waste of both domestic wealth and foreign exchange.

Portugal's corporate structure consists of social and cultural—as well as economic—units of the

nation.⁵³ While the totalitarian countries practice state corporatism, which is almost synonymous with the government,⁵⁴ Portugal seeks to perfect a distinct, associative type of corporatism, in which the family is the first corporation and the state the last.⁵⁵ The Portuguese "unitary and corporative republic" is organized on a basis of natural groups: family, administrative bodies (parish, municipal and provincial councils), occupational units (syndicates, *grêmios*, federations and unions), and finally the Corporative Chamber which is one of the representative bodies of the state.⁵⁶ Under the political reorganization effected through the new constitution,⁵⁷ which in 1933 restored constitutional government to replace the military movement of 1926, the Corporative Chamber was created to assist the National Assembly in its legislative functions. It discusses and advises on all projected legislation and treaties submitted to the Assembly, which is composed of 90 deputies elected by direct suffrage for four years. The President of the Republic, elected by the people for a term of seven years, appoints and dismisses "at will" the President of the Council (Prime Minister) and—on the latter's recommendation—the Ministers.⁵⁸ In practice, Dr. Salazar exercises dictatorial power, but Portugal's new structural organization has given many Portuguese people a feeling of participation in the government, and a belief that their constitutional rights are more secure under a system in which President and Prime Minister theoretically serve as checks on each other.⁵⁹

PORTUGUESE FOREIGN POLICY

Throughout the war Prime Minister Salazar has served also as Foreign Minister, and has suc-

49. King, "Economic and Commercial Conditions in Portugal," cited, p. 65. The preamble of the May 1934 labor decree, which outlawed strikes, contains a succinct statement of Portuguese labor policy. The text is printed in A. W. H. King, "Economic Conditions in Portugal," *Department of Overseas Trade Reports*, No. 590 (London, H.M. Stationery Office, 1934), p. 58.

50. Portugal, Secretariado da Propaganda Nacional, *Portugal: The New State in Theory and Practice* (Lisbon, Editorial Império, 1939), pp. 38-39. The government ministries from time to time determine which associations shall become compulsory. Optional associations are created whenever at least 50 per cent of the members of a trade favor such a grouping. Cf. *Portugal*, February 1, 1939, p. 11.

51. By January 1, 1941 there were 1,011 corporative agencies of all existing types; the corporations outlined in the National Labor Statute, however, have not yet been created, although a decree of November 12, 1938 provided for their establishment. *International Labour Review*, November 1941, p. 567; Decree-Law No. 29,110, printed in *Portugal*, January 1, 1939, pp. 17-18; *ibid.*, February 1, 1939, pp. 10-11.

52. A. T. Caudill, "Portugal and Its Atlantic Islands," *Foreign Commerce Weekly*, May 31, 1941, pp. 363, 366.

53. Odette Samson, *Le Corporatisme au Portugal* (Paris, Librairie Technique et Economique, 1938), *passim*.

54. For a study of the Fascist corporate state, see V. M. Dean, "The Economic Situation in Italy: The Corporative System," *Foreign Policy Reports*, January 16, 1935.

55. Bianchi, "Portugal Celebrates Eight Centuries of Existence," cited, p. 340.

56. For a list of the many economic, cultural, moral, municipal and administrative interests represented in the Corporative Chamber, see text of Decree-Law No. 29,111, printed in *Portugal*, January 1, 1939, pp. 18-21.

57. Approved by national plebiscite on March 19, 1933; entered into force on April 11 of the same year. A convenient text has been issued by the Secretariado da Propaganda Nacional, *Political Constitution of the Portuguese Republic* (Lisbon, Editorial Império, 1937).

58. *Ibid.*, p. 39.

59. The Portuguese constitution (Sec. I, Par. 8) contains individual guarantees analogous to the "Bill of Rights" of the United States constitution. But in the *Estado Novo* the individual exists only socially—as a member of a group, such as the family, the corporation, the parish or municipal council—and his abstract constitutional rights are recognized exclusively in this concrete social relationship. Cf. *Political Constitution of the Portuguese Republic*, cited, pp. 6-9; West, *The New Corporative State of Portugal*, cited, pp. 16-17.

cessfully steered a middle course between both groups of belligerents. The integrity of the Portuguese Empire depends on British protection, but the independence of Portugal itself may be decided in Berlin. Although the Portuguese people appear to be overwhelmingly in favor of Britain and its Allies,^{59a} the government has discouraged open support of any belligerent—by applauding newsreel references in the theatres, for example. Portugal's controlled press has printed virtually the same amount of news from each side during the war, and has carefully avoided editorial comment on most controversial issues. One of the leading principles of Portuguese foreign policy, as the *Diário da Manhã* pointed out on November 8, 1940, is isolation "as far as possible" from European conflicts. Dr. Salazar has mentioned three other "fixed values" of his policy which do not impair Portuguese neutrality and do not conflict with one another: fidelity to the 555-year-old alliance with Great Britain, maintenance of good relations with Spain on a basis of dual rule in the Iberian Peninsula, and friendship with Brazil.⁶⁰

The "ancient alliance" with Britain is based on a community of interest that arises from the character of both countries as Atlantic powers with widely scattered colonies. Although this alliance was strained by Anglo-German negotiations to break up the Portuguese Empire in 1898 and 1912-14, and by Portugal's support of General Franco during the Spanish civil war, it is still recognized by each government.⁶¹ On December 27, 1937 the British Foreign Secretary stated that the pre-World War proposals in regard to Portuguese territory were dead, and that Britain has "not the slightest intention" of trying to revive them.⁶² After the Spanish conflict Dr. Salazar, on May 22, 1939, reaffirmed Portugal's adherence to the traditional alliance; and when the present European war began on September 1, 1939 the Lisbon gov-

ernment again confirmed its obligations under the old pacts, adding that they "fortunately . . . do not compel us to abandon our position of neutrality in this emergency."⁶³ At the start of the first World War in 1914, Lisbon had also notified Britain that it was prepared to fulfill its treaty obligations. Then, as now, the British government preferred to have Portugal remain neutral. In February 1916, however, London asked the Portuguese government to take over all German merchant ships in its harbors, and when Portugal commandeered the vessels in March, Germany declared war.

Lisbon's active support of General Franco, Hitler and Mussolini in the Spanish civil war marked a historic change of emphasis in Portuguese foreign policy. Prior to July 18, 1936, Portugal's chief concern in the field of international relations was to secure its Empire. Since the outbreak of hostilities in Spain, primary consideration has been given to preserving Portuguese independence in Europe.⁶⁴ Spain is Portugal's traditional foreign enemy, and the strongly Catholic dictatorship of Dr. Salazar regards communism as its greatest domestic threat. By supporting the Spanish Nationalists in their struggle, Lisbon established friendly relations with the military régime which, from the early weeks of the war, controlled most of western Spain along the Portuguese border.⁶⁵ In this way, too, the Portuguese army, government, local officials and newspaper publishers—fully aware of the danger of revolution, and fearful that Spanish Republicans might aid the political opposition in Lisbon—discouraged the growth of communism and liberal democracy in Portugal.⁶⁶

The Nazi-Soviet pact of August 23, 1939 helped intensify Portuguese sympathy for Britain when, a week later, the international crisis flared into

59a. The strongholds of pro-British sentiment in Portugal are among the workingmen and peasants, the liberal intellectuals, the older generation of the middle class, and various socially prominent groups with foreign contacts. These elements, it should be observed, have relatively little political influence despite their numerical superiority.

60. Of Brazil, "the highest example of Portuguese colonizing ability," Salazar has written: "While Portugal itself is a narrow strip of Europe which can never contain more than a few million souls, Brazil is almost a continent, a new world, from which through the centuries to come will pour torrents of men, to whose hands may confidently be entrusted the treasure of the traditions which they will inherit, sharing with us this sacred trust." *Salazar Says* . . . , cited, p. 76.

61. For a technical analysis of the respective British and Portuguese obligations under the pacts of 1386, 1642, 1661, 1873 and 1899, see G. P. Gooch and Harold Temperley, *British Documents on the Origins of the War, 1898-1914* (London, H.M. Stationery Office, 1927), vol. I, pp. 88-99.

62. This pledge was repeated on May 26, 1939. *Portugal*, June 1, 1939, p. 14.

63. Secretariado da Propaganda Nacional, *The Present Position of Portugal: Documents Relating to Portugal's Imperial and Foreign Policy* (Lisbon, Oficina Gráfica, 1940), pp. 25-26, 34.

64. S. G. West, "The Present Situation in Portugal," *International Affairs*, March-April 1938, pp. 214-16.

65. For documents on the most significant diplomatic moves and treaties concluded between Portugal and Nationalist Spain, see *Portugal*, January 1, June 1, August 1, 1938; April 1, 1939; July 31, 1940. A semi-official Spanish interpretation is given by Damian Elorza, "Entre Portugal y España," *Cara al Sol* (New York), May 25, 1940, p. 3.

66. Cf. *The New York Times*, February 5, 1939. In his famous speech of May 22, 1939, Dr. Salazar summarized Portugal's policy with respect to the Spanish civil war: "In every sphere where our action was not restricted [by the non-intervention agreement, in which Portugal participated], we helped as much as possible Spanish nationalism and Christian civilization. . . . We defended our own country against the internal assaults launched against it, ensured security and order on the frontier. . . . We expended effort, lost lives, ran risks, shared suffering and we have no claims to make nor any little bills to present. We won, that is all." Text in West, *The Present Position of Portugal*, cited, pp. 22-23.

general war. At the end of August the *Diário da Manhã*, organ of Portugal's only political association (National Union, or *União Nacional*), pointedly deplored the doctrines of "might makes right," "living space" and "racial supremacy" in so far as these tenets conflict with international law and morality. Within a few days both Prime Minister Salazar and Cardinal Cerejeira, Patriarch of Lisbon and Primate of the Church of Portugal, publicly indicated Portugal's preference for the Allies.⁶⁷ These sentiments do not appear to have changed substantially during the first two years of war, although the early pro-Allied enthusiasm was tempered somewhat after the fall of France in June 1940, and was further dampened a year later when Britain and the Soviet Union joined forces against the Axis.

Salazar's Portugal has always been friendly with Fascist Italy, and has drawn increasingly closer to Germany since the Nazis came to power. Italian propagandists stress the common Latin origins, religious bonds and similar governmental characteristics of the two nations. Nazi spokesmen have actively tried to win adherents by emphasizing the joint German-Italian-Portuguese aid to Nationalist Spain, and since June 1941 have again described their battle as an anti-Communist crusade in which Portugal also has a stake. While these efforts have not achieved outstanding success, they have been persuasive among certain elements of the army and police, and among some members of the upper classes who dread the "Bolshevik menace." Many leaders of the Portuguese Legion (*Legião Portuguesa*) and the Youth Movement (*Mocidade Portuguesa*)—both identified with the crusade against communism since their inception five years ago—were trained in Germany and inculcated with admiration for the Nazis. Like the National Foundation for Delight in Work (F.N.A.T., or *Fundação Nacional para a Alegria no Trabalho*), these associations are based on German and Italian models. Although they have been very constructive in establishing discipline and physical fitness among the people, they have also served as useful vehicles for spreading nationalistic, anti-democratic ideas.⁶⁸ Portugal's profound loyalty and esteem for Britain, however, and its clear recognition that Portuguese independence depends on continued neutrality, have thus far impeded the work of Nazi agents in the country.⁶⁹

67. For texts of statements, see *ibid.*, p. 58; Luis Marques, "Portugal," *Neutral War Aims* (London, Burns Oates, 1940), pp. 151-52.

68. *Christian Science Monitor*, October 16, 1939, June 11, 1941.

69. After the German invasion of the Soviet Union and Britain's alliance with the U.S.S.R., Portuguese newspapers published Russian war communiqués along with those of the other

TRADE AND RESOURCES

Germany's trade relations with Corporative Portugal have been more spectacular, although probably not more effective, than its cultural penetration.⁷⁰ For many years Britain has been the leading source of Portugal's import requirements, and its best customer. In the five years preceding the war, however, the Reich made steady gains in the Portuguese market, and by September 1939 was almost matching British sales there. Large contracts were placed in the Reich for machinery and armaments, and the purchase of German bombing planes led, in turn, to German instruction of some Portuguese army air officers.⁷¹ The volume of Italian and Spanish trade with Portugal is relatively small; and the economic disturbances wrought in Spain by its internal conflict virtually eliminated that country as a supplier of Portugal's needs. During the Spanish civil war the Axis powers jointly made perceptible, but modest, gains in Portugal's export trade, which consists primarily of food products and strategic raw materials. In the same period Britain's share of Portuguese imports and exports declined, but the British continued to provide about two-thirds of Portugal's leading import item, coal, and retained their dominant position among foreign consumers of Portuguese goods.

The outbreak of a general European war in September 1939 immediately restricted Portugal's foreign commerce and produced serious repercussions in its domestic economy. The British blockade cut off virtually all Portuguese trade with Germany, although a meager share was still carried on through Italy. Britain absorbed about four-fifths of Portugal's exports during the first six months of 1940, but drainage of the available foreign exchange⁷² caused Lisbon, in June of that year, to restrict imports of automobiles, woolen goods, cosmetics and other luxury articles. The shortage and high price of gasoline had already discouraged the use of motor cars, and because

belligerents—an impartial policy which led the Spanish government to ban the distribution and sale of Lisbon's two largest dailies. *The New York Times*, September 10, 1941.

70. For an authoritative, brief review of German and Italian propaganda techniques employed in Portugal, see West, "The Present Situation in Portugal," cited, pp. 216-18.

71. *The New York Times*, January 3, 1939.

72. While reliable estimates of the Portuguese balance of trade are not available, owing to the customary official undervaluation of exports, the country apparently has a substantial excess of imports. In normal times, the resulting adverse balance of payments is more than offset by "invisible" sources of income—including foreign investments in Brazil and the United Kingdom, emigrants' remittances (chiefly from Brazil), tourist expenditures and, to some extent, earnings of the small merchant marine. The wartime depletion of these payments—except those for shipping services—was a contributory cause of the emergency measures indicated above.

DIRECTION OF PORTUGUESE TRADE WITH PRINCIPAL COUNTRIES, 1934-39*

In percentages†

Country of origin or destination	Imports (to Portugal)						Exports (from Portugal)					
	1934	1935	1936	1937	1938	1939	1934	1935	1936	1937	1938	1939
United Kingdom	23.0	25.8	21.1	18.2	17.1	19.0	24.8	24.2	27.6	21.9	20.9	27.0
Germany	13.7	12.5	14.1	15.1	16.8	13.3	12.2	14.2	12.6	11.1	13.0	9.0
United States	9.8	11.3	11.4	10.5	11.6	10.6	5.6	6.1	7.5	8.0	5.4	9.2
France	4.8	5.3	5.1	4.7	6.1	6.7	10.1	10.4	11.6	10.4	8.2	4.9
Italy	2.7	2.6	.4	1.7	1.9	3.6	2.9	2.8	1.2	3.8	5.7	3.4
Spain	3.6	4.0	3.4	1.1	.6	.3	4.9	4.6	2.6	4.7	5.0	2.2
Brazil	3.2	2.9	2.0	2.9	2.0	2.0	4.4	4.0	3.9	4.2	5.6	4.8
Portuguese colonies	11.0	8.2	10.1	11.1	10.2	12.2	11.9	12.8	10.7	13.0	12.2	12.9
Other areas	28.2	27.4	32.4	34.7	33.7	32.3	23.2	20.9	22.3	22.9	24.0	26.6

*Sources: U.S. Department of Commerce, *Foreign Commerce Yearbook*, 1938 (Washington, Government Printing Office, 1939), p. 128; Portugal, Instituto Nacional de Estatística, *Comércio Externo, Ano de 1938* (Lisbon, Imprensa Nacional, 1940), vol. II, pp. vii-ix; *ibid.*, 1939, vol. II, pp. vii-ix.

†Value figures are reliable only in relation to one another and then only within the same general category (imports or exports) for a given year, owing to the fact that Portuguese statistics as a rule have greatly undervalued exports. During the past four years, however, the corporative bodies for each industry have tended to insert true values in the trade returns, and some of the *consórcios*—such as those for sardines and resinous products—already give the correct figures.

of insufficient coal most railroad locomotives were soon converted to use wood as fuel.⁷³

After France's capitulation and Germany's establishment of a common border with Spain, Axis-Portuguese trade was resumed by transshipment across the Iberian Peninsula. The British fleet remained an almost insuperable obstacle to seaborne commerce with either Germany or Italy, and Spanish railway facilities have not yet been adequately restored after their deterioration during the civil war.⁷⁴ But some Portuguese tungsten, tin, sardines and other products have been transported by truck through Spain and occupied France to Germany. During 1941 the most alarming aspect of Portugal's foreign trade has not been a dearth of markets, but the excessive demands for its strategic products. Great Britain has vied with Germany and Italy in pressing Lisbon to curtail shipments to the opposing belligerents, and Portuguese foreign policy is now largely concerned with maintaining an even trade balance between the Axis and the Allies.

Portugal is essentially an agricultural country, almost self-sustaining. It raises a great variety of crops,⁷⁵ but its prosperity depends largely on exports of a few widely diversified commodities—forestal products, processed foodstuffs and (more

recently) minerals—which are not subject to extensive competition. Portugal leads the world as a producer and exporter of *cork*, one of the "critical" defense materials of the United States. During the years 1937, 1938 and 1939, Portugal supplied 61 per cent of this country's cork imports, Algeria 22 per cent, and Spain about 10 per cent. In 1940, when the United States imported more cork than in any previous year except 1937, Portugal accounted for 73 per cent of the total, and in the first seven months of 1941 it provided 92 per cent.⁷⁶ Great Britain and Germany are also large consumers of Portuguese cork. *Wine*, especially Port and Madeira, has found its best market in England for several hundred years. Canned *sardines*, the third principal Portuguese export product, go mainly to Germany, France, Great Britain and the United States. Wartime shortages in tin plate seriously threatened Portugal's sardine canning industry early this year, but Germany, Britain and the United States each made arrangements to provide the required tin plate in order to obtain the 1941 output of sardines. The bulk of Portuguese *rosin* and *turpentine* has generally been shipped to Germany and Great Britain. *Olive oil*, sold chiefly to Brazil and Italy, has registered steady gains as an export product in the past decade. The most phenomenal growth, however, has been recorded in the production and export of *tungsten* and *tin* ores. Universal armament activities have greatly

73. T. J. Hamilton, "Portugal Watches Her Step," *The New York Times*, November 3, 1940.

74. The transshipment trade by rail to occupied France is also limited by heavy overland freight expenses, resulting in part from the fact that Portuguese and Spanish railroads have a wider gauge (1.67 meters) than the standard continental lines. Caudill, "Portugal and Its Atlantic Islands," cited, p. 365.

75. The principal crops are wheat, corn, potatoes, rye, rice, oats and barley. For an analysis of agricultural factors in the Portuguese economy, see King, "Economic and Commercial Conditions in Portugal," cited, pp. 41-48.

76. In recognition of the danger that this country's vital sources of cork might be cut off by the spread of war, the Office of Production Management in May 1940 decided to set up industry-wide control over cork supplies, and since June 12, 1941 rigid control measures have governed the use of cork in the United States. M. V. Day, "Cork Goes to War," *Foreign Commerce Weekly*, October 18, 1941, pp. 4-5.

increased the demand for these two strategic metals, which are the object of bitter economic rivalry in Portugal. Tungsten is of prime importance, owing to the sharp decline of its production in China during the last four years. Responding to attractive prices offered by the United States, Germany and Great Britain, the production of Portuguese tungsten ores rose steadily from 1,414 metric tons in 1936 to 4,858 in 1940.⁷⁷ The production of mixed tin and tungsten ores increased from 294 metric tons in 1937 (a relatively good year) to 924 in 1940, while tin ore (cassiterite) rose from 1,763 to 2,329 metric tons during the same period.⁷⁸ Owing to the unusual opportunities for profits in exploiting these minerals during the past year, thousands of Portuguese farmers have deserted their plots of land to engage in mining operations. The government in Lisbon, however, now controls the land, labor, production, price and export of tungsten, which is sold to the United States in increasing quantities.⁷⁹

CONCLUSION

Portugal under the *Estado Novo* has achieved a high degree of national unity, and despite wartime inconveniences has remained comparatively free from many difficulties that confront other European neutrals. Although the Portuguese corpora-

tive system bears a number of likenesses to the Italian, German and Spanish corporate states, Portugal today seems far removed from any voluntary alignment with the Axis powers because of ideological similarities. Unlike the Axis countries, Portugal does not clamor to regain imperial glory by force of arms; it is concerned with developing, rather than expanding, the Portuguese Empire. As a "satiated" nation, the Portuguese desire nothing more than to be left alone. Only by remaining out of war can they carry on the social, economic and political experiments which have given the country financial stability and political and economic order.

Both groups of European belligerents have reason to prefer that Portugal not become involved in the conflict. It is a convenient "no man's land" which offers each side the desired advantages of an information center with direct lines of communication to the enemy. From the strategic point of view, Portugal's dual rôle as a continental and imperial power has apparently been a decisive deterrent to enforced involvement. Nazi occupation of continental Portugal would lead to immediate British—and possibly American—use of the country's valuable outlying bases; on the other hand, British or American seizure of the Portuguese islands would result in German use of continental Portugal's air and naval bases, which lie farther west than any other good harbors on the European continent. In the last analysis, Portuguese independence and territorial integrity may be determined by the needs of Axis military strategy, but Lisbon is sparing no effort to preserve its economic, political and strategic equilibrium between the powers at war.

77. U.S. Department of the Interior, Bureau of Mines, *Minerals Yearbook, 1941* (Washington, Government Printing Office, 1941), pp. 622-25.

78. For a more detailed discussion of Portuguese resources, see Caudill, "Portugal and Its Atlantic Islands," cited, pp. 363-66. Production statistics for 1940 are given in Portugal, Instituto Nacional de Estatística, *Boletim Mensal*, January 1941, p. 13.

79. See, for example, the *New York Herald Tribune*, March 22, 1941; *New York Post*, October 21, 1941.

The January 1 issue of FOREIGN POLICY REPORTS will be

U.S. SHIPPING AND THE WAR

by Joseph W. Scott